

Message Text

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ACTION COME-00

INFO OCT-01 EUR-25 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00

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FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC 5806 PRIORITY

INFO AMEMBASSY BELGRADE

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAY

USMISSION BERLIN

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DEPT. PASS COMMERCE FOR BEWT (SUZANNE PORTER)

VIENNA FOR EWTC

E.O. 11652: N/A

TAGS: ETRD, ETRN, CZ

SUBJ: INSURANCE ON SHIPMENTS IN EAST-WEST TRADE

REF: STATE 23552

1. ALL MARINE AND INTERNATIONAL ISURANCE WRITTEN IN CZECHOSLOVAKIA IS DONE BY CZECH STATE INSURANCE COMPANY (CSP). CSP INVOLVEMENT IN FOREIGN TRADE INSURANCE IS LIMITED TO SHIPMENTS IN WHICH A CZECHOSLOVAK FOREIGN TRADE COMPANY IS A PARTY, AND TO REINSURANCE. IN THEORY, CZECH FOREIGN TRADE COMPANIES ARE FREE TO CHOOSE ANY INSURANCE COMPANY TO HANDLE THEIR BUSINESS. INPRACTICE, HOWEVER, CSP IS ONLY INSURANCE COMPANY ALLOWED TO OPERATE IN CZECHOSLOVAKIA AND SINCE PREMIUMS TO WESTERN COMPANIES MUST BE PAID ENTIRELY IN SCARCE HARD CURRENCIES, CSP HAS VIRTUALLY UNASSAILABLE COMPETITIVE ADVANTAGE IN SECURING BUSINESS FROM STATE FOREIGN TRADE

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ORGANIZATIONS.

2. EMBOFFS OBTAINED FOLLOWING INFORMATION FROM OFFICIALS OF CSP KEYED TO QUESTIONS POSED IN NUMBERED PARAGRAPHS OF REFTEL:

PARA 6) MOST EXPORTS TO CSSR FROM U.S. ARE ON FOB BASIS AND ARE INSURED BY CSP CHIEFLY BECAUSE SELECTION OF INSURANCE COMPANY IS PREROGATIVE OF CZECH IMPORTER WHO LEANS NATURALLY TO CZECH COMPANY WITH WHOM HE CAN DEAL DIRECTLY AND WHOSE PREMIUM HE CAN PAY AT LEAST PARTIALLY IN CROWN. MOST CZECHOSLOVAK EXPORTS TO U. S. ARE SHIPPED CIF OR FOB EUROPEAN-PORT BASIS AND ARE ALSO INSURED BY CSP. IN CASE OF FOB EUROPEAN PORT SHIPMENTS, CZECH FOREIGN TRADE COMPANY USUALLY INSURES GOODS WITH CSP AND FROM FACTORY IN CZECHOSLOVAKIA TO PORT; U.S. IMPORTER MAY THEN SELECT ANOTHER INSURER OR, AS MOST OFTEN HAPPENS, STICK WITH CSP TO AVOID BREAKS IN COVERAGE,

HIGHER PREMIUMS, OR FOR OTHER REASONS. CSP OFFICIALS WERE UNABLE OR UNWILLING TO PROVIDE DOLLAR VALUE OF GOODS CSP INSURES IN U.S. - CZECHOSLOVAK TRADE, NOR DID THEY HAVE EXACT FIGURES ON PROPORTION OF INSURANCE CSP WRITES IN THIS TRADE. IN RESPONSE TO DIRECT QUESTION HOWEVER, THEY ADMITTED THAT VIRTUALLY ALL MARINE INSURANCE WRITTEN ON SHIPMENTS TO AND FROM U.S. WAS DONE BY CSP, ALTHOUGH MUCH OF THIS RISK IS OFTEN SPREAD AMONG CO-INSURERS IN WEST.

PARA 7) VERY LITTLE, IF ANY, OF U.S.- CZECHOSLOVAK TRADE IS INSURED DIRECTLY BY INGOSSTRAKH. SOME PART OF RISK ENTAILED IN LARGE SHIPMENTS INSURED BY CSP MAY BE PICKED UP BY SOVIETS UNDER REINSURANCE ARRANGEMENTS BUT NO SPECIFIC INFORMATION ON AMOUNTS INVOLVED IS AVAILABLE HERE.

PARA 8) CSP OFFICIALS ESTIMATED THAT THEY INSURE ABOUT HALF OF TRADE BETWEEN CZECHOSLOVAKIA AND WESTERN EUROPE, WITH REMAINDER BEING HANDLED BY WESTERN FIRMS, NOT INGOSSTRAKH. ON SOME ITEMS, NOTABLY GLASS, CSP SHARE IS AS HIGH AS 100 PERCENT BECAUSE APPARENTLY WESTERN COMPANIES TEND TO AVOID INSURING SHIPMENTS WHERE RISK OF LOSS OR BREAKAGE IS EXTREMELY HIGH.

3. SPEAKING GNERALLY, CSP OFFICIALS ACKNOWLEDGED THAT CONTINUED EXPANSION OF TRADE BETWEEN CSSR AND U.S. WOULD BRING INCREASING DEMANDS FROM U.S. INSURANCE COMPANIES FOR A LARGER PORTION OF THE BUSINESS. (IN FACT, THEY EXHIBITED EDITORIAL FROM RECENT ISSUE OF MAGAZINE "COMPASS" PUBLISHED BY MARINE INSURANCE BROKERS IN U.S. WHICH FULLY PRESENTED ARGUMENT OF U.S. INSURANCE COMMUNITY ON THIS ISSUE.) ONE REASON THEY SAID SHIPPERS OFTEN PREFER CSP OVER WESTERN LIMITED OFFICIAL USE

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INSURANCE CONTRACTS, WAS DIFFERENCE IN BASIC APPROACH TO COVERAGE: IN WEST, CLAIMS ARE PAID ONLY ON LOSSES RESULTING FROM RISKS SPECIFICALLY NAMED IN CONTRACT; WHEREAS, CSP PRACTICE IS TO COVER ALL RISKS UNLESS SPECIFICALLY EXCLUDED FROM CONTRACT -- A MUCH BROADER COVERAGE, AT LEAST IN THEORY.

4. EMBOFFS ALSO LEARNED THAT ALTHOUGH CSP HAS NOT BEEN ACTIVELY ENGAGED IN INSURING TRADE BETWEEN THIRD COUNTRIES (E. G. BETWEEN

U.S. AND ARGENTINA), IT IS PRESENTLY INVESTIGATION POSSIBILITIES
IN THIS AREA.
WORTZEL

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